

March 19, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne Brathwaite Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

STATE LEGISLATIVE UPDATE

Status of County-Interest Legislation

County-opposed AB 81 (Migden), which would require the State Board of Equalization (SBE) rather than County Assessors to assess large electric generation facilities starting in 2003 but require that the property taxes be allocated to the local jurisdictions in which plants are located rather than from the unitary role, was reported out by the Senate Appropriations Committee on March 13, 2002. The County is opposed to the bill unless amended to return to the unitary role the plants that were divested by utilities after deregulation. The SBE's decision to transfer these plants to local assessment in 1999 costs the County almost \$1 million annually. This is because the County receives a higher share of property tax from the unitary role than the locally assessed role. Proposed amendments by the County and other jurisdictions to regain lost revenue failed to gain support in the Legislature because the State would have to backfill school districts that lost revenue when the plants were put on the unitary role. SB 81 is on the Senate Floor and is expected to be taken up this week.

County-supported AB 2075 (Chavez) would expand the requirement for a convicted defendant to pay the reasonable costs incurred by a probation department that performs pretrial monitoring, investigation and reports, and post sentence investigations and reports. AB 2075 has been scheduled for hearing on April 2, 2002, in the Assembly Public Safety Committee.

County-supported SB 1276 (Speier), which would require the State Department of Motor Vehicles to forward the personal information of male applicants for an original driver's

license or identification card to the Selective Service System, is scheduled for hearing on April 2, 2002, in the Senate Transportation Committee.

Pursuit of County Position on Legislation

AB 2123 (Koretz) would mandate that the Los Angeles County Board of Supervisors increase membership on the Board of Investments from 9 to 11. These two additional members would be appointed by the Board of Supervisors after nomination by a majority of the certified bargaining units of the County. They must have significant experience in institutional investing. SB 2123 also mandates that any year the County's retirement fund assets exceed \$20 billion and excess earnings exceed 1 percent of the total assets (when the funding ratio exceeds 90 percent), that 75 percent of the excess earnings must be used to fund increased or new retirement benefits that have been negotiated between the Board of Supervisors and employee organizations.

The County Employees Retirement Law of 1937 authorizes a nine member board of investment. Currently, the County's Board of Investments consists of the County Treasurer, with four board members elected by employees and retirees and four members, who are required to have significant institutional investing experience, appointed by the Board of Supervisors. Existing law also permits, but does not require, that surplus retirement fund earnings in any year that exceed one percent of the total assets, be transferred into county advance reserves to pay the costs of retirement benefits or reduce employer costs.

According to my Office of Compensation Policy, the change in membership of the Board of Investments as outlined in AB 2123 would dilute the County influence, and the provisions relating to the disposition of retirement system surplus earnings could increase County retirement costs by earmarking assets that could otherwise be used to fund existing retirement liabilities. The mandated dedication of system assets to pay for retirement benefit improvements would limit the County's ability to make changes to the total compensation package, and also interfere with the collective bargaining process.

The County will be opposing AB 2123 based on Board policy to oppose legislation that interferes with the collective bargaining process and that mandates or authorizes compensation or benefit changes without approval of the Board of Supervisors. AB 2123 was introduced on February 19, 2002, and is currently in the Assembly Public Employees, Retirement and Social Security Committee with no hearing date set.

Each Supervisor
March 19, 2002
Page 3

We will continue to keep you advised.

DEJ:GK
IGR:md

c: Executive Officer, Board of Supervisors
 County Counsel
 All Department Heads
 Legislative Strategist
 Local 660
 Coalition of County Unions
 California Contract Cities Association
 Independent Cities Association
 League of California Cities
 City Managers Associations
 Buddy Program Participants